Business Roundtable
Institute for Corporate Ethics

Case BRI-1004

Google, Inc., in China

Kirsten E. Martin

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GOOGLE, INC., IN CHINA

Google is not a conventional company. We do not intend to become one.[1]

Tom MacLean finished watching the Senate hearing on C-Span and slumped in his chair. He had been with Google, Inc., as a director of International Business for only nine months, and it wasn't going as well as he had hoped.

MacLean prided himself on being a thoughtful and methodical project manager, so the recent publicity generated by Google's launching a Chinese-language search engine in China in 2006 left him feeling a bit on the defensive. MacLean had worked hard to develop a strategy for Google in China. He had involved outside experts on China, called upon talented in-house engineers about the technical design, and exposed top leadership to many of the pressing issues within China. MacLean felt that he and his team had been mindful of the many potential pitfalls they could face in implementing their strategic plan in China.

He had been actively involved in almost a year of deliberations and preparations within Google, Inc., before Google's entry into China. This decision—to physically enter Chinese territory and, consequently, subject search results to Chinese filtering and monitoring—drew ire from nongovernmental organizations, academics, press, and the general public, culminating in a congressional hearing on February 15, 2005. The company was ridiculed for its "Don't be evil" motto, and critics blamed Google for supporting a country with a totalitarian regime and known for its numerous human-rights violations.

MacLean had developed a solid strategic plan: the financial projections were based on sound assumptions that had been gathered across operations, engineering, marketing, sales, and finance. Moreover, he had won support from the top management team by suggesting that Google, Inc., maintain both the unfiltered Chinese-language site (Google.com) with the filtered China-based site (Google.cn). The two technologies, however, differed in their results. As an example, a search for Tiananmen Square on Google.com produced a list of Web sites depicting

[1] "Letter from the Founders," *An Owner's Manual* (for Google's shareholders in Amendment No. 9 to Form S-1 Registration Statement), <http://www.sec.gov/Archives/edgar/data/1288776/000119312504142742/ds1a.htm#toc59330_1>.

This case was prepared by Kirsten E. Martin, Assistant Professor of Business and Economics at the Catholic University of America and Business Roundtable Institute for Corporate Ethics Fellow, to encourage classroom discussion and not to illustrate effective or ineffective business decision making. Certain characters mentioned are fictional to facilitate classroom discussion, and any resemblance to actual persons is coincidental. Copyright © 2006 by the Business Roundtable Institute for Corporate Ethics (www.corporate-ethics.org). Reproduction and use for direct educational purposes permitted. All other rights reserved.

the brutal suppression of demonstrators in China in June 1999. The same search on Google.cn provided a much smaller list and included pictures of a smiling couple in the square.[2]

The decision to develop Google.cn was complicated. In the words of Elliot Schrage, Google's vice president of Global Communications and Public Affairs:

> [Google, Inc., faced a choice to] compromise our mission by failing to serve our users in China or compromise our mission by entering China and complying with Chinese laws that require us to censor search results.… Based on what we know today and what we see in China, we believe our decision to launch the Google.cn service in addition to our Google.com service is a reasonable one, better for Chinese users and better for Google.… Self-censorship, like that which we are now required to perform in China, is something that conflicts deeply with our core principles.… This was not something we did enthusiastically or something that we're proud of at all.[3]

MacLean knew that he was perfectly prepared for his current position as director of International Business. After earning a computer-science degree, MacLean had traveled extensively, implementing information systems with an IT consulting firm. He was well-versed in the technical and cultural components of this current project. It was his first job after earning an MBA. He had worked very hard as a summer intern to get his foot in the door at Google, Inc., and landed a job offer in his second year of the MBA program. He had been working at Google for 13 months and was starting to worry about his job security. Within the organization, he did not have enough political capital to weather a storm of critiques.

The congressional hearing had planted seeds of doubt in MacLean's head about the Google in China decision. Was Google endorsing censorship by conforming to the Chinese authorities' rules? Was Google acting as a tool for the government? Were Chinese citizens better off after Google's decision to enter China with Google.cn? MacLean was starting to question whether the decision went against their stated mission of organizing the world's information and making it universally accessible and useful.[4]

Google's top leadership had left open the door for revising their strategy by always reminding reporters and those in the company that the decision was made based on the information currently available. The company was not afraid to revisit previous decisions. MacLean had only one day before attending a meeting where he would be queried on the development and implementation of Google's China strategy and asked for his suggestions for future courses of action. The Senate hearing had attracted a lively audience and had generated vigorous debate. There was a lot of pressure to act, but MacLean's instinct was to stick by his

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[2] Congressional testimony before the House Committee on International Relations Subcommittee on Asia and the Pacific, *The Internet in China: A Tool for Freedom or Suppression?* (February 15, 2006).

[3] Congressional testimony, *The Internet in China*.

[4] <http://www.google.com/intl/en/corporate/index.html>.

strategy and let it play out a bit longer. He hoped that perhaps the Senate hearing would be the last bit of publicity for a while.

Google

Google, Inc., took great satisfaction in being different from other corporations. Founded by Larry Page and Sergey Brin, Google's start was legendary. While Stanford graduate students, Page and Brin had developed a search technology and grew Google.com into the most popular search engine in the world. The technology used an algorithm to find possible Web pages with search criteria provided by the user. Google's PageRank™ technology "measures the importance of different Web pages by solving an equation with more than 500 million variables and 2 billion terms."[5]

The company remained private until 2004, when Page and Brin decided to conduct a Dutch auction for their initial public offerings (IPOs). The Dutch auction was designed to "democratize IPO share allocation and afford companies and early investors the best price for their shares."[6] The company sold shares directly to the public by announcing only the total number of shares to be auctioned and a suggested target price. Anyone could place a bid (both quantity and price) to purchase stock, with the final clearing prices determined by the market at the end of the day. Once a minimum clearing price was set by the market, investors who bid above that price were awarded shares on a pro rata basis. This type of auction removed a layer of investment banks that traditionally underwrote the IPO process by setting the price, allocation, and marketing for their clients. Traditional IPOs utilized the underwriting bank as the central controller of the market (price and allocation) and as the marketer of the private organization to the potential investors. Google's Dutch-auction process allowed a greater range of investors to bid (and win) initial shares. While smaller companies had infrequently held this type of public offering, Google's auction was unprecedented in size.[7] August 19, 2004, marked the initial public offering of GOOG on NASDAQ.

In addition, the public-offering statement was "part financial document, part populist manifesto."[8] In April 2004, Brin and Page wrote a founders' letter that was included in the documents for Google's initial public stock offering. Brin and Page stated, "Don't be evil. We believe strongly that in the long term, we will be better served—as shareholders and in all other ways—by a company that does good things for the world even if we forgo some short-term gains. This is an important aspect of our culture and is broadly shared within the company."[9] The

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[5] <http://www.google.com/corporate/tech.html>.

[6] Ari Weinberg, "IPO Dutch Auctions versus Traditional Allocation," <http://www.forbes.com/insights/2004/05/10/cx_aw_0510mondaymatchup.html> (accessed on May 10, 2004).

[7] Les Christie, "The ABCs of a Unique IPO: The Hottest Tech IPO in Years Will Be Run as a 'Dutch Auction'" <http://money.cnn.com/2004/04/29/technology/googleauction/> (accessed on April 29, 2004).

[8] Matt Richtel, "Analysts Doubt Public Offering of Google Is a Bellwether," *New York Times*, May 1, 2004.

[9] "Letter from the Founders."

format of the IPO and the substance of the SEC registration forms received much attention from the business press.

Financial Success

Google's core technology was a search tool designed by founders Page and Brin. The primary source of revenue was through the advertising placed on its Web site. Important to Google's search philosophy was maintaining as much search "neutrality" as possible, with advertisements distinguished from all other search results. Companies could not purchase placement on a search-result list.

Google had seen tremendous market and financial success. The company's 5,680 employees were scattered throughout the world. In 2005, Google had a positive cash flow of $3.45 billion and starting in 2006, was generating more than $1 billion in cash every quarter. Google had revenue of $6.14 billion and a net profit margin of 25.18%.[10] While growing domestically, Google had started to focus more on its global strategy. The majority of searches were international, yet revenue was just 34% of $3.2 billion in 2004.[11]

Although Google was in a secure financial position, going public had increased public scrutiny, and the company was facing growing competition from Microsoft, Yahoo!, and "meta" search technology that combined the search results from other search engines such as Dogpile or Mamma.

Corporate Ethos

Google had adopted the informal corporate motto "Don't be evil" from the founders' letter, and also developed an ethical code of conduct for both internal and external audiences.

> The core message is simple: Being Googlers means striving toward the highest possible standard of ethical business conduct. This is a matter as much practical as ethical; we hire great people who work hard to build great products, but our most important asset by far is our reputation as a company that warrants our users' faith and trust. That trust is the foundation upon which our success and prosperity rest, and it must be re-earned every day, in every way, by every one of us.
>
> So please do read this code, and then read it again, and remember that as our company evolves, the Google Code of Conduct will evolve as well. Our core principles won't change, but the specifics might, so a year from now, please read

[10] <http://finance.goolge.com/finance?q=google>.

[11] Jason Dean and Kevin Delaney, "Limited Search: As Google Pushes into China, It Faces Clashes with Censors," *Wall Street Journal*, December 16, 2005.

> it a third time. And always bear in mind that each of us has a personal responsibility to do everything we can to incorporate these principles into our work, and our lives.[12]

In addition to the code of conduct, Google's mission "to organize the world's information and make it universally accessible and useful" was supported by a list of "10 things" consitituting the company's philosophy. Google's focus on the user guided most of its decisions.

> From its inception, Google has focused on providing the best user experience possible. While many companies claim to put their customers first, few are able to resist the temptation to make small sacrifices to increase shareholder value. Google has steadfastly refused to make any change that does not offer a benefit to the users who come to the site.[13]

This principle was best exemplified in Google's refusal to accept sponsored search results. While competitors allowed organizations to pay money for a prime spot on search listings, Google relegated all sponsored links to the right-hand portion of the screen and clearly designated them as sponsored links. A cottage industry of search-engine optimizers (SEOs) promised to modify customers' Web sites to increase their rank within Google's search results. Google continually fought such manipulations of their search results.

For Google, the listing of a code of conduct, the 10 things, and even business decisions were in flux. The company steered clear of proclamations and was not afraid to change its mind. In reference to the 10 things constituting its organizational philosophy, Google included examples of how it had changed or dropped rules of conduct from even a few years ago: "Over time we've expanded our view of the range of services we can offer—Web search, for instance, isn't the only way for people to access or use information—and products that then seemed unlikely are now key aspects of our portfolio. This doesn't mean we've changed our core mission; just that the farther we travel toward achieving it, the more those blurry objects on the horizon come into sharper focus (to be replaced, of course, by more blurry objects)."[14]

China

With a population of 1.6 billion people (2006 estimate), China had become an attractive market for many U.S. companies, which had entered into agreements establishing more than 20,000 equity joint ventures, contractual joint ventures, and wholly foreign-owned enterprises in China. More than 100 U.S.-based multinationals had projects in China in 2006.[15]

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[12] <http://investor.google.com/conduct.html>.

[13] <http://investor.google.com/conduct.html>.

[14] <http://investor.google.com/conduct.html>.

[15] U.S. Department of State, Bureau of East Asian and Pacific Affairs, "Background Note: China," <http://www.state.gov/r/pa/ei/bgn/18902.htm> (accessed on April 2006).

In 2006, China attempted to move away from the Communist model of socialism that the country had embraced for decades. China declared itself "firmly committed to economic reform and opening to the outside world" by privatization.[16] China formally joined the World Trade Organization in December 2001, agreeing to lower tariffs and abolish market impediments. China became "one of the most important markets for U.S. exports: in 2005, U.S. exports to China totaled $41.8 billion, more than double the $19 billion when China joined the World Trade Organization in 2001, and up 20% over 2004."[17] Membership in the World Trade Organization coupled with hosting the Olympic Games in the summer of 2008, put China back on the map as a possible market for Western companies.

China's market reform improved "the lives of hundreds of millions of Chinese, increased social mobility, and expanded the scope of personal freedom. This has meant substantially greater freedom of travel, employment opportunity, educational and cultural pursuits, job and housing choices, and access to information."[18] Nevertheless, China remained entrenched in a system of brutality that enforced rules and regulations through its totalitarian regime. Although China had recognized "the need for decentralized, flowing economic data to make 'market-oriented' reform possible," it maintained harsh enforcement of political and religious regulations.[19]

As James Keith, senior adviser for China and Mongolia in the State Department's Bureau of East Asian and Pacific Affairs, testified before Congress:

> China's well-documented abuses of human rights are in violation of internationally recognized norms, stemming both from the authorities' intolerance of dissent and the inadequacy of legal safeguards for basic freedoms. Reported abuses have included arbitrary and lengthy incommunicado detention, forced confessions, torture, and mistreatment of prisoners as well as severe restrictions on freedom of speech, the press, assembly, association, religion, privacy, worker rights, and coercive birth limitation. In 2005, China stepped up monitoring, harassment, intimidation, and arrest of journalists, Internet writers, defense lawyers, religious activists, and political dissidents.[20]

These oppressive measures were a major setback for China. In June 1989, the Chinese government's brutal suppression of demonstrators in Tiananmen Square drew international attention, disrupted the U.S.-China trade relationship, and curtailed corporate investment.[21] In addition, the Chinese authorities' intolerance for organized religious groups such as the Falun

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[16] "Background Note: China."

[17] "Background Note: China."

[18] James Keith, testimony on February 15, 2006.

[19] Keith testimony.

[20] Keith testimony.

[21] "Background Note: China."

Gong and independent-minded territories such as Tibet had also attracted negative international attention.

In 2006, the U.S. State Department saw trade with China as an important step in lifting the socioeconomic levels of Chinese citizens. The goal of the United States was to "fully integrate China into the global, rules-based economic and trading system."[22]

The Internet and China

One market where U.S. corporations had considerable impact was the Internet. Yahoo! was the first American Internet company to enter China with a Chinese-language Web site and an office in Beijing, in 1999.[23] Others soon followed. The Chinese Internet market reached a milestone when Mary Meeker of Morgan Stanley initiated coverage in September 2005.[24]

The vast, uncensored information endemic to the Internet was not welcomed by Chinese authorities. Officials immediately implemented various yet vague rules regulating conduct and content on the Internet. The enforcement of these laws was possible owing to the physical infrastructure of the Internet. While visions of uncharted and undelineated lands were associated with the World Wide Web, the global Internet entered and left China through only a few fiber-optic cables owned and operated by China Telecom.[25] Sitting on the Chinese border were routers that served as gatekeepers of the content of information and the requests for information passing into and out of China.[26]

China's monitoring and enforcement system captured the source and receipt of content and leveraged technology, law enforcement, private corporations, and individual citizens. China was "believed to have the world's most sophisticated network for monitoring and limiting information online."[27]

China took a two-pronged approach to censoring the Internet. First, authorities restricted the production, development, and dissemination of improper content. Then, authorities monitored the perusal of content or receipt of information. "Harmful" content included material concerning democracy (e.g., freedom), religious cults (e.g., Falun Gong), or antigovernment protests (e.g., Tiananmen Square).

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[22] "Background Note: China."

[23] Clive Thompson, "Google's China Problem (and China's Google Problem)," *New York Times*, April 23, 2006.

[24] Clay Chandler, "Inside the Great Firewall of China," *Fortune* (March 6, 2006).

[25] Chandler, "Inside the Great Firewall."

[26] Chandler, "Inside the Great Firewall."

[27] Robert McMahon, "U.S. Internet Providers and the 'Great Firewall of China,'" Council on Foreign Relations, <http://www.cfr.org/publication/9856/us_internet_providers_and_the_great_firewall_of_china.html> (accessed on February 14, 2006).

Enforcement

The Chinese Internet was controlled through both governmental censorship and self-censorship. Through public propaganda campaigns and stipulations for state licensing of organizations, Chinese authorities included many private citizens in their surveillance efforts.

Technology

The Chinese government was able to monitor all foreign Internet traffic by positioning routers at the edge of the domestic Internet. Acting as gatekeepers to China, Cisco routers filtered traffic based on Uniform Resource Locators (URLs), key-word searches, and email content. The same routers used to weed out viruses and worms internationally were also used to block sensitive information and monitor Internet usage in China. The "Great Firewall of China" was possible because of the reliance on one large fixed-line operator, China Telecom, which was also the dominant Internet service provider and a reseller of capacity to other Internet service providers.[28]

Government law enforcement

China's Ministry of Public Security employed 30,000 Internet police to enforce regulations developed to extend Chinese law and censorship to the Internet.[29] These police were both centrally located within government buildings and deployed to cybercafés, where the majority of Chinese accessed the Internet. Armed guards watched over cybercafé patrons through closed-circuit television.[30]

Corporations

The layers of monitoring and surveillance relied upon the self-censorship of cybercafés, with their own software program, Internet Detective.[31] Licensing agreements with the state required service providers to monitor their customers while they surfed the Internet. Content providers also self-monitored in order to maintain a government license to conduct business. Blocking sites was not the primary method for controlling content. Instead, the Chinese authorities relied upon self-censorship among individuals and domestic Internet content providers.[32] In addition, awards for self-discipline were given to private Internet companies to encourage both the filtering of information and the reporting of individuals.[33]

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[28] Jonathan L. Zittrain and John G. Palfrey, Jr., "Internet Filtering in China in 2004–05: A Country Study," </www.opennetinitiative.net/studies/china/>.

[29] Keith testimony.

[30] Calum MacLeod, "Web Users Walk Great Firewall of China; Internet Controls: Restricting Use or Protecting People?" *USA Today*, April 3, 2006.

[31] MacLeod, "Web Users Walk."

[32] Nina Hachigan, "The Internet and Power in One-Party East Asian States," *Washington Quarterly* 25, no. 3 (2002), <http://muse.jhu.edu/journals/washington_quarterly/v025/25.3hachigian.html>.

[33] Thompson, "Google's China Problem."

Propaganda

News stories about imprisoned journalists served as warnings to all citizens about the repercussions of indulging in illegal Internet behavior. In addition, in January 2006, in the city of Shenzhen, in Guangdong Province, officials began a public-service campaign with cartoon figures that appeared as the Chinese characters for the word "police."[34] When logging onto the Internet, individuals were greeted by Jingjing and Chacha, who, when clicked on, said, "Warning: Internet users must comply with the law."[35]

Individuals

Chinese authorities established online reporting centers that encouraged "citizens to report 'harmful' information ranging from sites displaying pornography to banned political activities," including information on the Falun Gong spiritual movement and the 1989 Tiananmen Square crackdown and sources such as Radio Free Asia, the BBC's Chinese-language service, and the online public encyclopedia *Wikipedia*.[36]

Figure 1. Chinese Internet controls.

Chinese Internet controls used a combination of tactics and access points to target both the consumption and development of information on the Internet.		
Use of	**Access Points**	**Targeting**
State officials and laws	User	Content development
Local officials and laws	Cybercafé	Content consumption
Business	ISP	
Citizens	ICP	
Propaganda	IAP	
Technology	Backbone	

[34] MacLeod, "Web Users Walk."
[35] Thompson, "Google's China Problem."
[36] McMahon, "U.S. Internet Providers."

Vague yet specific approaches

China's Internet surveillance and filtering program relied on a seemingly omniscient presence, cultivated by combining both vague and specific approaches. The system was specific in that particular URLs were blocked rather than entire Web sites. Since 2003, the program had grown in its ability to block or filter *specific* Web pages or key words. The specific URL (e.g., www.university.edu/tiananmensquare.htm) was filtered rather than a university's entire Web site and associated pages (e.g., www.university.edu) blocked. Although most governments filtered entire domains, China was able to filter by URL or by Web site within a domain.[37] Though sites were generally more accessible in 2006 than in previous years, the surveillance program had become more sophisticated. For example, searches for "Tibet independence" were less accessible than just the word "Tibet."[38] In addition, some anonymizer sites were accessible, allowing individuals to surf the net anonymously through redirection to proxy servers.[39] Finally, the program was able to become more stringent, as before the anniversary of Tiananmen Square or less stringent, as in hotels frequented by Western visitors at the discretion of authorities.[40]

The program preserved a certain amount of vagueness, however, and made citizens feel as though the surveillance was omnipresent and omniscient. No master list existed for forbidden topics or words. Rather, categories of topics were outlined in regulations, while most terms were left undefined (e.g., state secrets, interests of the nation, and disturbing social order).[41] The regulations governing the Internet also banned any content "inciting illegal assemblies, associations, marches, demonstrations, or gatherings that disturb social order"[42] or "conduct or activities in the name of an illegal civil organization."[43] Who enforced these rules was never well defined. Many divisions of the government had jurisdiction over the Internet. Indeed, the definition of what was considered harmful material changed weekly.

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[37] Zittrain and Palfrey, "Internet Filtering in China."

[38] Zittrain and Palfrey, "Internet Filtering in China."

[39] Zittrain and Palfrey, "Internet Filtering in China."

[40] "Technical Appendix: Empirical Analysis of Internet Filtering in China," <http://cyber.law.harvard.edu/filtering/china/appendix-tech.html>.

[41] OpenNet Initiative, "China Tightens Controls on Internet News Content through Additional Regulations" (Bulletin 012), July 2006, <http://www.opennetinitiative.net/bulletins012/>.

[42] OpenNet Initiative, "China Tightens Controls."

[43] OpenNet Initiative, "China Tightens Controls."

Figure 2. Banned categories of Internet materials[44]

1. Violating the basic principles as they are confirmed in the Constitution
2. Jeopardizing the security of the nation, divulging state secrets, subverting state power, or jeopardizing the integrity of the nation's unity
3. Harming the honor or the interests of the nation
4. Inciting hatred against peoples, racism against peoples, or disrupting the solidarity of peoples
5. Disrupting national policies on religion, propagating evil cults, and propagating feudal superstitions
6. Spreading rumors, compiling and promulgating false news, disturbing social order, or disrupting social stability
7. Spreading obscenity, pornography, gambling, violence, terror, or abetting the commission of a crime
8. Insulting or defaming third parties, infringing on the legal rights and interests of third parties
9. Constituting any other content prohibited by law or rules

Rather than announce when a search or Web site was being filtered and therefore inaccessible, the surveillance program issued time outs, network error messages, and "requested page does not exist" (404 error) notices.[45] The use of general or vague threats of surveillance promoted self-monitoring, which was usually more pervasive than the state-sponsored surveillance program. Internet surveillance in China was not as widespread as many believed; however, the program was effective. The reliance on general rather than specific threats of monitoring had created the sense of a vague yet accurate, random yet severe surveillance program.

Backlash

In order to circumvent the Chinese surveillance program, tech-savvy Chinese citizens relied upon proxy servers and anonymizer programs, often located outside China. News of these technologies traveled the old-fashioned way—by word of mouth, radio, or underground newspaper. While the Chinese authorities made frequent attempts to curtail the use of proxy servers,[46] new locations sprang up because of the work of nongovernmental organizations such as Human Rights in China. Since 2003, Human Rights in China had been delivering about 300,000 proxy links a week. DynaPass, UltraSurf, Freegate, and Garden Networks were software

[44] OpenNet Initiative, "China Tightens Controls."
[45] Zittrain and Palfrey, "Internet Filtering in China."
[46] Zittrain and Palfrey, "Internet Filtering in China."

programs that allowed users to circumvent Chinese filters by connecting to U.S. servers.[47] Organizations such as the U.S. Broadcasting Board of Governors provided funding for access to such proxy servers, but the Chinese government soon began curtailing the use of these products as well.[48]

The anonymizer programs also allowed Chinese citizens to avoid surveillance by stripping any identifiable markers from their presence on the Internet. The free software programs, developed outside China, allowed Chinese users to surf the Internet anonymously and were available within China. But these programs were not without their own issues. The proxy servers and anonymizer programs were also being used by criminals to prevent their illegal activity on the Internet being tracked and were attracting the attention of law enforcement in China and elsewhere.

This antisurveillance movement also used the Internet to communicate important news that had been censored by other Chinese media outlets, including newspapers, radio, and television. For example, news of an AIDS epidemic in Henan Province, safety conditions in mines, poisoning of the Songhua River, and the SARS outbreak all reached a wider audience through the use of the Internet and the circumvention of Chinese filters.

Critical to the antisurveillance movement were the "hactivists" working outside China to help Chinese users slip past barriers.[49] While many within Chinese borders worked to spread information about global and local news, techniques, and technologies, the movement relied upon those outside the control of the Chinese government to provide technologies that worked to circumvent the authorities.

Google in China

Google, Inc., first entered the Chinese market in early 2000 by creating a Chinese-language version of its home page. This strategy was part of a larger one for East Asia that included the creation of search technology that understood the characters in Korean, Chinese, and Japanese.[50]

Google's approach was to maintain a Chinese-language version of Google.com that was housed in the United States but that could handle search requests originating within China. In this way, the technology was not subject to Chinese censorship laws as the facilities were not within China's physical boundaries, and Google did not need a license from the Chinese government to operate its business. Usually, when users attempted to click on a banned site, a full, unfiltered list was produced and they would be blocked by Chinese filters. Users were able

[47] Chandler, "Inside the Great Firewall," 149.

[48] <www.rsf.org/print.php3?id_article=17936> (accessed June 9, 2006).

[49] Chandler, "Inside the Great Firewall."

[50] Thompson, "Google's China Problem."

to see the complete list of all the information pertaining to their search, including the information that the Chinese government considered threatening.[51]

These search requests and corresponding search results all passed through one of nine Chinese international gateway Internet service providers, which were monitored and filtered by the Chinese government. In September 2002, Google.com was inaccessible for two weeks. When reinstated, it was slow and temperamental for all Chinese users and completely inaccessible for Chinese colleges and universities.[52] According to Elliot Schrage, Google's vice president of Global Communications and Public Affairs, "The average time to download a Google Web page was more than seven times slower than for Baidu, the leading Chinese search engine."[53]

In 2004, Google realized that its approach in China was not sustainable. Google was losing market share to Baidu, and others, including Yahoo! and Microsoft, were gaining ground through their local presence. Google embarked on a one-year analysis of the Internet in China by consulting both governmental and nongovernmental organizations, business partners, and Chinese experts such as Xiao Qiang, an Internet scholar at the University of California–Berkeley.[54] Meanwhile, in June 2004, Google purchased a 2.6% stake in Baidu for $5 million.

Google announced two important appointments in 2005. First, Dr. Kai-Fu Lee left Microsoft to head Google's entry into China. Lee's goal was "to make advanced technologies accessible and useful to every user, as well as to be a part of the vibrant growth and innovation in China today." Then, Johnny Chou joined Lee in October as president of Sales and Business Development, Greater China. Chou assisted in building sales and distribution as well as a research and development center in China so Google would have the assets it needed to succeed.

In January 2006, Google announced the creation of Google.cn, which was located in China and subject to Chinese filtering. This product was "faster and more reliable, and … provide[d] more and better search results for all but a handful of politically sensitive subjects."[55] Google differentiated this product from those of its competitors by: (1) keeping personal information outside China through Gmail, its Web-based email service, and Blogger, its personal Web-blog-hosting service; (2) disclosing the presence of general filtering to users; and (3) continuing a Chinese-language version of Google.com.[56]

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[51] Thompson, "Google's China Problem."

[52] Thompson, "Google's China Problem."

[53] Elliot Schrage, testimony before the House Committee on International Relations Subcommittee on Asia and the Pacific and Subcommittee on Africa, Global Human Rights, and International Operations (February 15, 2006): 5.

[54] Dean and Delaney, "Limited Search."

[55] Schrage testimony.

[56] Schrage testimony.

Personal information

Although Google had decided to maintain Gmail and Blogger outside China, both services required personal information from users that, if hosted on servers located inside China, would be subject to requests for information by Chinese authorities. Recently, Yahoo! had provided personal information to Chinese officials, leading to at least one arrest for the posting of harmful materials. Microsoft had removed the postings of a journalist at the request of Chinese authorities. By keeping Google's email and blogging services outside Chinese territory, the company hoped to protect its users' privacy and confidentiality.[57]

Notification

With Google.cn, the company did exclude material and links from sources the government deemed subversive or harmful in order "to comply with local Chinese laws and regulations."[58] But how to comply was unclear. Google could block all sites related to a sensitive topic rather than provide a partial and sanitized list, or it could show the entire list, including those results where content would not be displayed because of filtering.[59] Google decided to post the information that filtering was occurring on its Google.cn search site by "putting a statement at the bottom of every page of search results that are required to be filtered, saying that we are not showing the full range of results because we are required not to as a result of government laws and restrictions."[60] The company decided, however, not to post inaccessible links (unlike the Google.com search site). So, while Chinese users would be aware that, in general, searches were filtered, they would not be aware of the exact nature of the filtering. Google claimed that providing inaccessible links would be frustrating to users.[61] Also, it was unclear what type of notification the Chinese government would allow.

Filtering

Without a specific list of material judged harmful by Chinese authorities, Google set up a computer in China and began conducting searches to determine what was filtered and to understand the degree and type of self-monitoring required for a license.[62] This list was a "living" document and was constantly revised. Google still maintained the original Chinese-language version of its search technology at Google.com. This search engine resided outside China and was not filtered by Google. The response time and accessibility problems continued for Google.com. By maintaining both sites, one could perform a search on both and compare the results to determine what was being filtered by the Chinese government.

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[57] Schrage testimony.
[58] Schrage testimony.
[59] Thompson, "Google's China Problem."
[60] Schrage testimony.
[61] Dean and Delaney, "Limited Search."
[62] Schrage testimony.

Google saw its decision as a balance between the need of its Chinese users to see more and more content and features and the demands of the Chinese government to curtail access and filter content.[63] In his congressional testimony,[64] Schrage stated that Google had made its decision based on balancing its commitment to user interests, access to information, and responding to local conditions:[65]

> The requirements of doing business in China include self-censorship—something that runs counter to Google's most basic values and commitments as a company. Despite that, we made a decision to launch a new product for China—Google.cn—that respects the content restrictions imposed by Chinese laws and regulations … our decision was based on a judgment that Google.cn will make a meaningful—though imperfect—contribution to the overall expansion of access to information in China.[66]

As Andrew McLaughlin, an attorney for Google, rationalized, "In order to operate in China, we have removed some content from the search results available on Google.cn in response to local law, regulation, or policy." He continued, "While removing search results is inconsistent with Google's mission, providing no information … is more inconsistent with our mission."[67]

Schrage acknowledged the "Don't be evil" principle for which Google was so well known: "[Don't be evil is] an admonition that reminds us to consider the moral and ethical implications of every single business decision we make.... We believe that our current approach to China is consistent with this mantra."[68]

U.S. Internet Companies and China

Joining Schrage at the congressional hearings were representatives from Yahoo!, Microsoft, and Cisco Systems; all were companies that had come under fire for working in concert with Chinese authorities.[69] Referring to these Internet companies, Tom Lantos (D-CA) stated, "Instead of using their power and creativity to bring openness and free speech to China, they have caved in to Beijing's outrageous but predictable demands, simply for the sake of profit.... They enthusiastically volunteered for the Chinese censorship brigade."[70]

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[63] Schrage testimony.

[64] Schrage testimony.

[65] Schrage testimony.

[66] Schrage testimony.

[67] Mike Langberg, "China Entry Raises Issues of Morals vs. Money," *Mercury News*, January 24, 2006, <http://www.mercurynews.com/mld/mercurynews/13702710.htm>.

[68] Schrage testimony.

[69] Elinor Millis, "Google to Censor China Web Searches," CNET News.com, January 25, 2006, <www.ZDNetAsia.com/news/internet/0,39044246,39307517,00.htm>.

[70] Schrage testimony.

Cisco Systems

Cisco helped develop PoliceNet, and had captured almost 40% of the market for the routers used for monitoring and directing traffic within China.[71] Cisco was known for having built the Great Firewall of China and defended its actions by stating that its product in China was the same technology used elsewhere. Cisco's responsibility, according to its congressional testimony, stopped at its sale to the customer: "We don't see the implementation that is done by the user. We sell the same equipment all over."[72] Cisco claimed that its involvement with the creation of China's PoliceNet in 2002, was in compliance with the Foreign Relations Authorization Act, covering equipment that could be sold to China for law enforcement.[73] Cisco relied upon the regulatory system to provide a defense for its actions in China. As Cisco's senior vice president and general counsel, Mark Chandler, stated, "As an economy that's built around a private sector that carries out economic activity, we carry out our activity mindful of the rules that you set and the responsibility that comes from the system that we have...."[74] Chandler continued:

> The Internet is many different things to different people. For some, it's a source of empowerment, enlightenment, giving them access to information they never had before. Others are frightened by that empowerment and see nonstate actors, whether they're multinational corporations or terrorists or antiglobalization activists empowered against legitimate state authority. And others see the Internet being used as a tool of repression. And I think all of those are correct."[75]

Further, Cisco worried that U.S. governmental or corporate action that would curtail the presence of U.S. Internet companies in China would actually lead China to build its own Internet and would ultimately reduce free expression. The involvement of U.S. Internet companies such as Cisco helped to ensure "one global Internet."

Yahoo!

Yahoo! had been accused of providing information to the Chinese government that led to the conviction of journalists Shi Tao[76] in 2005, and Li Zhi in 2003. Both journalists were imprisoned when Yahoo! provided their personal information to Chinese authorities.[77] "After the imprisonment of the latest journalist in 2005, Yahoo! decided to form a strategic long-term partnership with Alibaba.com and merged their China business with Alibaba.com, thereby

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[71] Schrage testimony.

[72] Schrage testimony.

[73] Schrage testimony.

[74] Mark Chandler, testimony before the House Committee on International Relations Subcommittee on Asia and the Pacific and Subcommittee on Africa, Global Human Rights, and International Operations (February 15, 2006).

[75] Chandler testimony.

[76] Millis, "Google to Censor."

[77] Congressional testimony, *The Internet in China*.

relinquishing day-to-day operational control."[78] Yahoo! maintained that even requests from the Chinese government could not be disclosed to nongovernmental organizations or to Congress. The company claimed that it did not even know how the Chinese monitored and acquired the Yahoo! users' IDs contained in the authorities' requests for personal information from Yahoo![79] According to Yahoo!, this level of understanding was not its responsibility as the Chinese operation of Yahoo! was in the hands of a separate entity.

Microsoft

Microsoft had removed the blog of a Chinese journalist from its U.S.-based MSN Spaces site, and had been filtering searches that included such words as "democracy" and "freedom" from its Chinese portal.[80] The company had also shut down Zhao Jing's blog, "complying with local laws, norms, and industry practices."[81]

Microsoft hosted personal Web sites and blogs on MSN Spaces, which was outside China, yet complied with Chinese requests to shut down offending blogs. Microsoft stated, "We do not have the influence or leverage to pressure the Chinese into changing their regulations and therefore must comply with Chinese law." The company saw its involvement in the Chinese Internet market as doing some good for the Chinese user, explaining, "Ultimately, we must ask ourselves, Will the Chinese citizens be better off without access to our services?"[82]

Google

Google's approach differed slightly from that of other U.S. companies. Google had agreed to Chinese censorship demands only after authorities successfully blocked access to Google.com. "We felt that perhaps we could compromise our principles but provide ultimately more information for the Chinese and be a more effective service and perhaps make more of a difference."[83] Google kept its options open and revisited its approach to China. Cofounder Sergey Brin said, "I think it's perfectly reasonable to do something different. Say, OK, let's stand by the principle against censorship, and we won't actually operate there.… That's an alternative path. It's not the one we've chosen to take right now."[84]

Google was also trying to work with market-based approaches by being involved with Xiao Qiang, the professor and well-known Internet scholar, who went to investment firms to

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[78] James Leach, testimony before the House Committee on International Relations Subcommittee on Asia and the Pacific and Subcommittee on Africa, Global Human Rights, and International Operations (February 15, 2006).

[79] Congressional testimony, *The Internet in China*.

[80] Millis, "Google to Censor."

[81] Congressional testimony, *The Internet in China*.

[82] Congressional testimony, *The Internet in China*.

[83] <cnn.worldnwes.printthis.clickability.com/pt/cpt?action=cpt&title=CNN.co>.

[84] Joel Rothstein, "Google Co-Founder Says Company Is Staying in China," <Washingtonpost.com> (accessed June 9, 2006).

track companies and their involvement in China. Google was the only company that responded to his requests for information.

The decision to comply with Chinese regulations and provide filtered information was neither clear nor easy. As James Keith, senior adviser for China and Mongolia in the State Department's Bureau of East Asian and Pacific Affairs, stated, "Once the door to freedom is opened a crack, it cannot be closed."[85] Information and U.S. presence in China provided that crack in the door for Chinese citizens.

Furthermore, many search companies censored Nazi-related Web sites in Germany and France pursuant to local laws. In the United States, such communications companies as Microsoft, Yahoo!, and Google complied with laws governing personal information, activities of minor children, child pornography, and gambling.

Libby Liu, president of Radio Free Asia, pointed out, however, that "the question is not whether the Internet is going to change China, but rather how much we're going to allow China to change the Internet."[86] There was a real fear that China's surveillance operations would change the way people conducted themselves on the Internet or that China would dissociate itself entirely from the global Internet and create its own.

The presence and conformity of U.S. companies in China affected the Chinese authorities' defense of their surveillance program. In a statement from the Chinese State Council Information Office released on February 15, 2006, the day of the U.S. congressional hearings on China and the Internet, China acknowledged that it had state-of-the-art censorship and claimed that its censorship was in compliance with international norms and practices.[87] Liu Zhengrong, deputy chief of the Internet Affairs Bureau of the State Council Information Office, told reporters:

> Regulation of China's Internet is fully in line with international practice, and the country welcomes foreign Web businesses to provide lawful services … Chinese people can access the Web freely, except when they are blocked from a very few foreign Web sites whose contents mostly involve pornography or terrorism.… Regulating the Internet according to law is international practice. After studying Internet legislation in the West, I've found we basically have identical legislative objectives and principles.[88]

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[85] Keith testimony.

[86] Libby Liu, testimony before the House Committee on International Relations Subcommittee on Asia and the Pacific and Subcommittee on Africa, Global Human Rights, and International Operations (February 15, 2006).

[87] Sharon Hom, testimony before the House Committee on International Relations Subcommittee on Asia and the Pacific and Subcommittee on Africa, Global Human Rights, and International Operations (February 15, 2006).

[88] Zhao Huanxin, "Regulation of Internet in Line with World Norms," *China Daily*, February 15, 2006.

This statement was in stark contrast to decades of statements by Chinese authorities declaring their practices immune from international laws because of Chinese sovereignty ("China will do what China does, and you can't interfere") or Chinese exceptionalism ("China is different from everyone else").[89] This departure from the standard defense of China's authoritarian practices demonstrated the impact of U.S. Internet companies on the Chinese surveillance program.[90]

Tom MacLean, Google, and China

Realistically, Tom MacLean had, at most, one day to prepare for a meeting with his supervisor and her peer group. While he knew that a priority would be stemming the bad publicity over the decision to develop the Google.cn search engine within China, MacLean had not heard whether the management team was concerned enough to change course in China.

In the meeting, MacLean would be expected to communicate a course of action for Google.cn that acknowledged all the negative attention while standing behind his original strategic plan. Organizations that were principled and flexible were admired in the business classroom. The question was, Could MacLean put such an approach into practice?

[89] Congressional testimony, *The Internet in China*.
[90] Congressional testimony, *The Internet in China*.